

AB 1878 (Wood) & SB 944 (Pan)

Covered California Affordability Help: Affording the Care You Need When You Need It

California consumers need help affording health care and coverage, for both premiums and cost sharing. Many Californians are avoiding or delaying care due to cost, or forgoing insurance all together. By lowering copays and deductibles, state policymakers can build on our progress with the Affordable Care Act, reducing the uninsured rate and getting people higher quality care.

Recent federal action through the American Rescue Plan has made premiums lower than ever before. Now the state can take action to reduce out of pocket costs burdens that lead to dangerous delays and disruptions in care. AB 1878 (Wood) and SB 944 (Pan) will eliminate deductibles for Covered California enrollees in standard silver plans and will dramatically reduce co-pays for silver plan enrollees up to 600% FPL (\$76,000 annual income for an individual).

Affordability remains a major barrier to care, even for those with coverage

Sixty percent of Californians report feeling worried about out-of-pocket costs when using health insurance. This is a greater percentage than those worried about the cost of housing, utilities, or groceries.ⁱ Californians are not merely concerned about out-of-pocket costs—they are delaying care, and delayed care means worsening health. Half of Californians skipped or delayed care in the past year as a result of costs; for low-income Californians, that percentage increases to a staggering two-thirds.ⁱ

Both co-pays and deductibles keep care out of reach for many Californians. Even what are considered routine visits can quickly add up to substantial portions of income. For example, a standard Silver plan enrollee who goes in for an annual check-up, resulting in basic bloodwork, follow up, and a prescription, could easily spend almost 5% of their monthly income on this routine sequence of care.

| How much does care cost? | |
|--|---------------------------------|
| Single individual monthly income: | \$2,694 |
| Covered California Plan: | Silver 70 |
| Annual check-up | Free |
| Follow-up lab work | \$40 |
| Follow-up primary care visit | \$35 |
| Monthly Rx (preferred brand) | \$55 |
| Total out of pocket costs & % of monthly income: | \$130 4.8% of income |
| <i>Source: UC Berkeley Labor Center. Affordability of Out-of-Pocket Expenses in Covered California. Covered CA AB 133 Workgroup Report, October 2021</i> | |

FACT SHEET: AB 1878 (Wood) and SB 944 (Pan)

In addition to co-pays, most low and middle-income households fall woefully short of the liquid assets required to meet their health plan deductibles. While Covered California Silver plan deductibles only apply for inpatient hospital and skilled nursing care stays, coverage doesn't kick in until paying \$3700—a cost that is projected to rise to \$4750 next year. For those who do require inpatient care, this deductible will likely far exceed what they have in their bank account. On average, people in the 150-400% FPL range (about \$20,000 to \$50,000 per year for an individual) have only about \$1,753 in liquid assets.ⁱⁱ

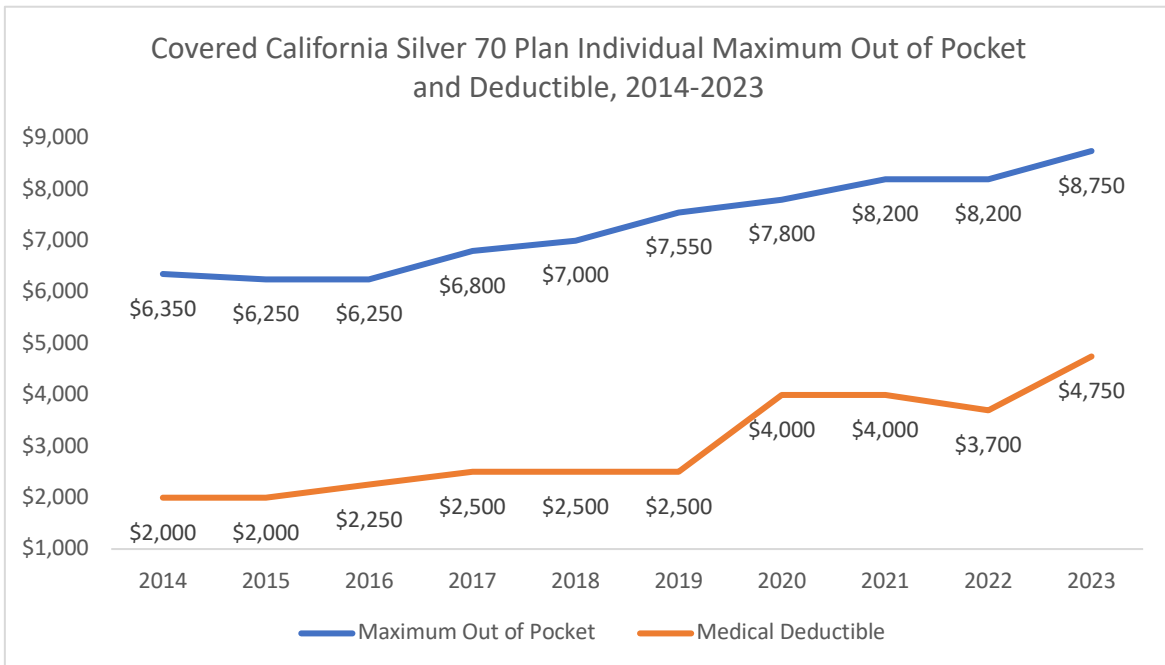
Covered California deductibles equal one, two, or even three months wages depending on the plan a consumer chooses and their income. Adults living on as little as \$1610-\$2147 per month face deductibles of \$800 and those making \$2,147-\$2,667 per month (200%-250% FPL) face deductibles of \$3,700 if they chose the Silver 73 plan, amounting to almost two month's income. For the one-third of consumers in this income level who chose a bronze plan, the deductible is even more unmanageable—for all care other than three doctor visits the deductible is \$6,300 which is three months of income.

Covered California's own research has shown that most consumers are confused about what services and benefits deductibles apply to. For this reason, even though the deductible for a Silver plan applies only to hospital care, not even to emergency room care, consumers may be discouraged from obtaining coverage because the suspected cost creates a perceived barrier to care. There is evidence that high deductibles and other cost sharing in Covered California discourages those eligible for free care in Medi-Cal from signing up.ⁱⁱⁱ

For the sickest with ongoing needs and costs, the situation is even worse. The maximum out-of-pocket cost can be as much as *four times* monthly income and is often *twice or three times* monthly income. While most people do not hit the maximum out-of-pocket, the financial hit can be devastating for those who do.

Co-Pays and Deductibles Continue to Rise

By 2023, medical deductibles for Covered California standard Silver plan enrollees will have more than doubled in less than a decade. Maximum out of pocket amounts have also increased substantially, approaching \$9,000.



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The Solution: Zero Deductibles & Lower Co-Pays to Bring Care Within Reach

In the 2021 state budget, Covered California was directed to complete a report detailing potential options to reduce cost sharing. The resulting report, *Bringing Care Within Reach*, provides context on the escalating burden of cost sharing, and offers options for the state to provide cost sharing affordability assistance.^{iv}

Based upon *Bringing Care Within Reach*, Health Access proposes the following options to ensure Covered California enrollees can afford to access care:

1. Eliminate all deductibles for Covered California Silver plan enrollees
2. Increase value of cost-sharing to lower co-pays for all Silver plan enrollees eligible for CSRs (cost-sharing reductions), and extend CSR eligibility from 400% FPL up to 600% FPL

| How AB 1878 (Wood) & SB 944 (Pan) Will Improve Cost Sharing | | | | | | |
|---|----------------------------|--------------------|-----------------------|--------------------|-------------------|-----------------|
| Federal Poverty Level (FPL) | Annual Income (individual) | Medical Deductible | Maximum Out-of-Pocket | Primary Care Visit | Tier I Generic Rx | Actuarial Value |
| Under 150% | <\$19,140 | \$75 → \$0 | \$800→\$800 | \$5 → \$4 | \$3 → \$3 | 94%→95% |
| 150%-200% | \$19,140-\$25,520 | \$900 → \$0 | \$3,000→\$800 | \$15 → \$4 | \$5 → \$3 | 87%→95% |
| 200%-300%: | \$25,520-\$38,380 | \$4,750→ \$0 | \$7,250→\$4,500 | \$45 → \$15 | \$16 → \$5 | 73%→90% |
| 300%-400% | \$38,280-\$51,040 | \$4,750→ \$0 | \$8,750→\$6,300 | \$45→\$10 | \$16→\$5 | 70%→85% |
| 400%-600%* | \$51,040-\$76,560 | \$6,300→\$0 | \$8,200→\$8,200 | \$65→\$35 | \$18→\$5 | 60%→80% |

*Change in cost-sharing for enrollees 400-600% FPL currently enrolled in Bronze plans who would be newly qualified for Silver-tier plans with Cost Sharing Reductions.

Continuity of Federal Premium Subsidies

Options to improve cost sharing affordability are contingent upon the continuation of federal premium subsidies which were enacted on a temporary basis as part of the American Rescue Plan. Though California in 2019 began offering groundbreaking state level premium subsidies, these federal subsidies supplanted the state program and went even further to help Californians buy coverage in our marketplace. Federal efforts are currently in progress to extend or make permanent these subsidies, at which point California must begin to address escalating cost-sharing, as envisioned in these bills. If the expanded federal subsidies are not extended, then it will be time to revisit options for state-level affordability assistance.

ⁱ [California Health Care Foundation. The 2022 CHCF California Health Policy Survey. January 2022.](#)

ⁱⁱ [Peterson-KFF Health System Tracker. Many households do not have enough money to pay cost-sharing in typical private health plans. March 2022.](#)

ⁱⁱⁱ [Medi-Cal Maze. CHCF](#)

^{iv} [Covered California. Bringing Care Within Reach. January 2022.](#)